



## Quarterly M&A Update

Fourth Quarter 2009

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## TURNAROUND IN '10

They say the best way to get out of a hole is to stop digging. Early indications for 2010 are that excavation has ceased!

ACG / Thompson Reuters reports that 85 transactions closed during the first week of 2010 – a 65% increase over 2009. While this may not give us enough data to project where the year will end up, we can still predict with a fair amount of certainty that 2010 will see more M&A activity than 2009.

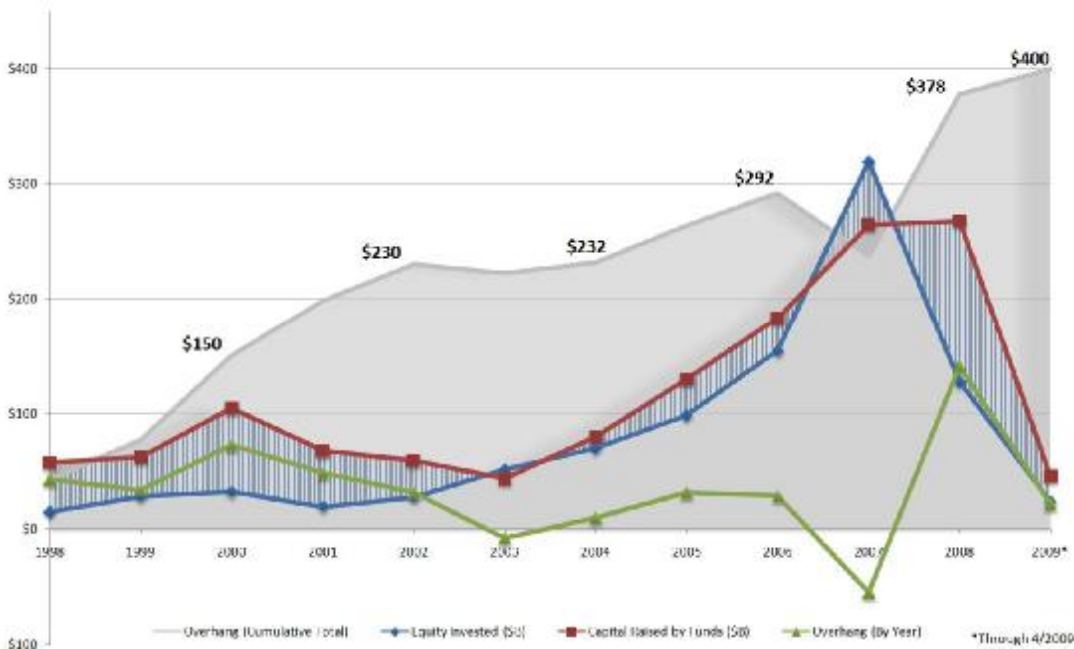
However, the *type* of activity will be different than in past years. The hallmark of prior boom years was the multi-billion dollar “mega-deals” facilitated by large banks who, in some cases, were willing to issue debt for the entire transaction amount. With large financial institutions duly chastened by the public and by the government, the highly leveraged mega-deals are not likely to return for some time. In the interim, smaller regional and local banks will continue to finance sensible transactions in the middle and lower middle markets. So, while the number of deals will increase during 2010, the average transaction size is likely to be smaller than its historical norm.

Additionally, Private Equity firms continue to maintain an enormous amount of “dry powder” (see “Private Equity Overhang” chart below). There are strong incentives in place for these PE firms to invest, and they continue to scour the world for attractive opportunities.

Finally, the Bush Tax Cuts are set to expire next year. Thus, the future of 15% capital gains rates is highly uncertain. If you are a business owner contemplating a sale within the next few years, you are faced with the distinct possibility that cap gains could increase to 20% or more. We encourage sellers who fall into this category to strongly consider moving a pending transaction into 2010. The capital gains tax may not be this low again for some time.

In short – if your goal is to buy or sell in 2010, selling conditions may not be this favorable for years. Sellers are active. Buyers are hungry. Deals take time to execute. The time to act is now.

## Private Equity Overhang



Source: PitchBook Data, Inc. ([www.pitchbook.com](http://www.pitchbook.com))

## National M&A Summary

### Fourth Quarter 2009

<b>Total Number of Transactions</b>	<b>2,152</b>	<b>Total Deal Value (\$mm)</b>	<b>274,895.36</b>
<b>Percentage Change from 3<sup>rd</sup> Quarter 2009</b>	<b>20.76%</b>	<b>Percentage Change from 3<sup>rd</sup> Quarter 2009</b>	<b>303.73%</b>
<b>Percentage Change from 4<sup>th</sup> Quarter 2008</b>	<b>21.03%</b>	<b>Percentage Change from 4<sup>th</sup> Quarter 2008</b>	<b>14.14%</b>

Sources of data include CapitalIQ, BVMarketData, Thomson Reuters, and other news organizations. The factual statements herein have been taken from sources believed to be reliable, but we do not guarantee such statements as accurate or complete. This report was prepared by The Malibu Group for informational purposes only; this is not a solicitation or offer to purchase or sell securities. Recipients of this report should not interpret the information herein as sufficient grounds for any type of decision, investment or otherwise. Historical data is not in indication of future results.

## Deals of Local Interest

<u>Target</u>	<u>Buyers/Investors</u>	<u>Deal Value (\$mm)</u>
Community National Corp.	NB&T Financial Group Inc.	6.89
uSwitch Ltd.	Forward Internet Group	undisclosed
Cincinnati Bell Inc., 196 Wireless Comm Towers 20% in DirecTECH, JBM Inc. and MMT	American Tower Corp.	99.9
The Intrust Group, Inc.	Multiband Corporation	10.0
The Travel Channel, L.L.C.	INTRUST GROUP	undisclosed
Pioneer Home Health Agency	Scripps Networks Interactive, Inc.	877.0
InfoSolutions, Inc.	Otterbein Retirement Living Communities	undisclosed
Next Rx, LLC	Search Technologies, Corp.	undisclosed
Naverus, Inc.	Express Scripts Inc.	3,552.76
Advance Fiberglass, LLC	GE Aviation	undisclosed
Xanodyne Pharmaceuticals, Inc., Two Injections	Chase Industries, Inc.	undisclosed
Nypro Atlanta Inc.	Bioniche Pharma Group Limited	undisclosed
Pomeroy IT Solutions Inc.	Parkway Products, Inc.	undisclosed
ImPak Graphics, Inc.	Platinum Equity, LLC	81.72
Advent Solar, Inc.	Innomark Communications LLC	undisclosed
Nine Banking Subsidiaries of FBOP Corporation	Applied Materials Inc.	undisclosed
Procter & Gamble Pharmaceuticals, Inc.	U.S. Bank National Association	undisclosed
Machine Tool Solutions Unlimited, LLC	Warner Chilcott plc	2,919.26
IXI Corporation	Konecranes Plc	undisclosed
Belle Of Orleans, L.L.C.	Equifax Inc.	124.0
Richards Electric Supply Co., Inc., Indianapolis Branch	Peninsula Gaming LLC	104.0
Optiglass PC LLC, Coating Division	Vision Control & Automation, Inc.	undisclosed
Companhia Brasileira De Servicos De Marketing S.A.	Plaskolite, Inc.	undisclosed
Southside River-Rail Terminal, Inc.	LoyaltyOne US, Inc.	undisclosed
Gilligan Oil Company, Five On The Run Stores	Westway Group, Inc.	20.0
Bridgewater Falls	Turkey Hill Minit Markets Inc.	undisclosed
Wells Cargo, Inc.	Phillips Edison & Company	44.0
	Universal Trailer Holdings Corp.	undisclosed

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## Deals of Regional Interest

<u>Target</u>	<u>Buyers/Investors</u>	<u>Deal Value (\$mm)</u>
Butler Schein Animal Health Supply, LLC	National Logistics Services, L.L.C.	43.5
Dealers' Financial Services, LLC	Dollar Financial Group Inc.	118.0
PlanGraphics Inc., Prior to Reverse Merger with Integrated Freight Systems, Inc. (OTCBB:PGRA)	PlanGraphics Inc.	undisclosed
Potter & Company LLP	Blue & Co., Pllc	undisclosed
Adexis	FusionStorm, Inc.	undisclosed
Dayton Carton - Kentucky, Inc.	Colbert Packaging Corporation	undisclosed
Hi-Tech Foam Products, Inc.	Hickory Springs Manufacturing Company	undisclosed
Source International, Ltd.	Convergent Capital; Unimacts, LLC	undisclosed
Option Six Inc.	General Physics Corporation	undisclosed
DeTrude & Company Inc.	Shepherd Insurance Agency, Inc.	undisclosed
Artromick International, Incorporated	Capsa Solutions, LLC	undisclosed
Grain Dealers Mutual Insurance Company	The Main Street America Group, Inc.	undisclosed
NextRx, Inc.	Express Scripts Inc. (NasdaqGS:ESRX)	841.3
NextRx Services, Inc.	Express Scripts Inc. (NasdaqGS:ESRX)	280.6
Tween Brands, Inc.	Dress Barn Inc. (NasdaqGS:DBRN)	321.68
Victor Oolitic Stone Company	North Coast Minerals	undisclosed
Real Living, Inc.	GMAC Home Services, LLC	undisclosed
Aegis Security Design, Inc.	TranSystems Corporation	undisclosed
Crown Paper Box Corporation	Colbert Packaging Corporation	undisclosed
Quail Run Associates, L.P.	QVT Mount Auburn Capital LP	undisclosed
ADB Airfield Solutions, LLC	Montagu Private Equity Limited	undisclosed
Chilton & Medley PLC	Mountjoy Chilton Medley	undisclosed
American Lifts	Autoquip Corporation	2.4
Richards Electric Supply Co., Inc., Indianapolis Branch	Vision Control & Automation, Inc.	undisclosed
Performance Drive SVC	Homestar, LLC	1.1
Meridian-Chiles	Jordan-Chiles, Inc.	undisclosed
Classic Oil & Gas Resources, Inc.	Velocity Energy Inc. (OTCPK:VCYE)	1.17

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**The Malibu Group** is comprised of the most experienced group of M&A and strategic finance experts in our region. We have extensive experience in divestitures, acquisitions, due diligence, valuations and financing.

Our specialized expertise helps our clients achieve better value, identify better transaction partners, reach smarter decisions, and negotiate more favorable outcomes.

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